

## Message Text

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44

ACTION NEA-12

INFO OCT-01 ISO-00 NEAE-00 SSO-00 NSCE-00 USIE-00 INRE-00

CIAE-00 DODE-00 PM-07 H-03 INR-10 L-03 NSAE-00 NSC-10

PA-04 RSC-01 PRS-01 SPC-03 SS-20 ACDA-19 IO-14 AID-20

IGA-02 OMB-01 ABF-01 FSE-00 TRSE-00 EB-11 FRB-02

DRC-01 /146 W

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O 301320Z NOV 73

FM AMEMBASSY NEW DELHI

TO SECSTATE WASHDC IMMEDIATE 8162

UNCLAS NEW DELHI 13992

E.O. 11652: N/A

TAGS: EFIN, IN

SUBJECT: RUPEES: RBI PAPER ON EXCHANGE RATE FOR CONVERSIONS

FOLLOWING IS TEXT OF RESERVE BANK OF INDIA PAPER ON EXCHANGE RATE  
PROVISION FOR CONVERSIONS FROM U.S. COOLEY HOLDINGS:

"RBI DOES NOT REGULATE THE RUPEE DOLLAR RATE WITHIN INDIA  
EITHER FOR TRANSACTION, WITH A LIMITED EXCEPTION THAT RATES FOR  
EXCHANGING TRAVELLERS' CHEQUES IN DOLLARS AND DOLLAR CUR-  
RENCY ARE SPECIFIED FROM TIME TO TIME IN THE INTERESTS OF  
ENSURING A GOOD RATE IN INDIAN RUPEES FOR TRAVELLERS. AS  
ANY RATE FOR THE CONVERSION OF RUPEE BALANCES INTO DOLLARS  
WILL THUS BE LEGAL UNDER OUR CURRENT REGULATIONS, THE LOGICAL  
MEANING OF THE DRAFT AS PROPOSED BY THE US EMBASSY WILL  
BE THAT FACTUALLY ALL THE RATES QUOTED FOR CONVERSION OF  
RUPEES INTO DOLLARS ON THE A RELEVANT DATE WILL HAVE TO BE  
ASCERTAINED AND THE MOST FAVORABLY AMONG THESE WILL HAVE  
TO BE CHOSEN. THIS, WILL BE CUMBERSOME AND WILL, IN FACT,  
BE UNWORKABLE.

"2. IN ACTUAL PRACTICE, THE FORMULA WHICH RBI HAD SUGGESTED

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IN OUR DRAFT IS LIKELY TO BE NOT ONLY THE SIMPLEST BUT THE MOST

FAVORABLE TO THE US EMBASSY. THE RATIONALE OF THIS FORMULA IS THAT THE RUPEES ARE FIRST NOTIONALLY CONVERTED INTO STERLING AND WITH THE AMOUNTS IN STERLING AS THUS OBTAINED, DOLLARS ARE NOTIONALLY PURCHASED AT THE LONDON RATE FOR THE SALE OF DOLLARS AGAINST STERLING. THE RESERVE BANK'S SPOT SELLING RATE FOR STERLING AND THE LONDON MARKET'S CLOSING RATE FOR THE SALE OF SPOT DOLLARS ARE PROPOSED TO BE ADOPTED ACCORDING TO THIS FORMULA AS THESE RATES WILL ALWAYS BE AVAILABLE ON EVERY DAY. THE RUPEE DOLLAR RATE WHICH IS THUS OBTAINED WILL AUTOMATICALLY BE THE FINEST AND THE MOST FAVOURABLE TO THE US AS NO FURTHER LOADING ADVERSE TO THE US EMBASSY IN THE SENSE THAT MORE RUPEES WILL BE COLLECTED FOR CONVERSION INTO DOLLARS IS CONTEMPLATED. IF THE RUPEE DOLLAR RATE AS ACTUALLY USED BY ANY AUTHORIZED DEALER IN INDIA, INCLUDING THE STATE BANK OF INDIA, WERE TO BE ADOPTED AS AN ALTERNATIVE TO OUR PROPOSAL, THE RESULT WILL BE THAT FOR EVERY 100 INDIAN RUPEES THE US EMBASSY WILL GET LESS DOLLARS AS COMPARED WITH THE DOLLARS OBTAINABLE ACCORDING TO RBI'S DRAFT.

"THIS IS ILLUSTRATED BY THE FIGURES GIVEN BELOW INDICATING FOR EVERY 100 RUPEES THE AMOUNT IN DOLLARS WHICH THE US EMBASSY MIGHT HAVE GOT ACCORDING TO OUR FORMULA AND ACCORDING TO STATE BANK OF INDIA'S QUOTATIONS:

DATE	RATE AS PER OUR DRAFT	RATE ACTUALLY QUOTED BY SBI
28.9.1973	12.8317	12.7
31-10-1973	12.8991	12.81
21-11-1973	12.6842	12.60

"IN THE JUDGMENT OF RBI THE FORMULA, AS ALREADY SUGGESTED BY THEM, WILL BE THE SIMPLEST, THE MOST CONVENIENT AND THE MOST ADVANTAGEOUS TO THEM." MOYNIHAN

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## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** AGREEMENTS, RUPEE, EXCESS FOREIGN EXCHANGE, MEETINGS  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 30 NOV 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** n/a  
**Disposition Approved on Date:**  
**Disposition Authority:** n/a  
**Disposition Case Number:** n/a  
**Disposition Comment:**  
**Disposition Date:** 01 JAN 1960  
**Disposition Event:**  
**Disposition History:** n/a  
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**Disposition Remarks:**  
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**Enclosure:** n/a  
**Executive Order:** N/A  
**Errors:** N/A  
**Film Number:** n/a  
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**Office:** ACTION NEA  
**Original Classification:** UNCLASSIFIED  
**Original Handling Restrictions:** n/a  
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**Original Previous Handling Restrictions:** n/a  
**Page Count:** 2  
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**Previous Handling Restrictions:** n/a  
**Reference:** n/a  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** shawdg  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 04 FEB 2002  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <04-Feb-2002 by chappeld>; APPROVED <19 FEB 2002 by shawdg>  
**Review Markings:**

Declassified/Released  
US Department of State  
EO Systematic Review  
30 JUN 2005

**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** NATIVE  
**Subject:** RUPEES: RBI PAPER ON EXCHANGE RATE FOR CONVERSIONS FOLLOWING IS TEXT OF RESERVE BANK OF INDIA PAPER ON EXCHANGE RATE  
**TAGS:** EFIN, IN, US  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005